HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Barrie CMA

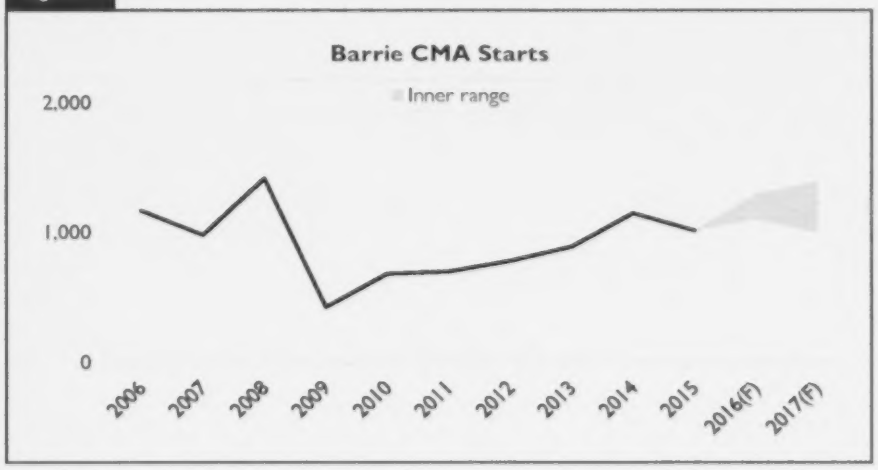
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2016

Highlights[1]

- Starts will range between 1,100 and 1,300 and between 1,000 and 1,400 units respectively in 2016 and 2017.
- Despite the scarcity of land, single-detached starts will remain relatively strong to the end of 2017.
- MLS® sales will grow in 2016 and fall between 5,300 and 5,900 and will decline slightly in 2017 to fall between 5,100 and 6,000.
- A strong sellers' market will put more upward pressure on the average MLS® price in 2016.
- The vacancy rate will increase slightly, but the rental market will remain a tight and expensive market. The average rent for a two-bedroom unit will be $1,193 in 2016 and $1,203 in 2017.

Figure 1



Source: CMHC; (F) = CMHC Forecast

[1] The forecasts and historical data included in this document reflect information available as of April 29, 2016.

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New Home Market: Rebound of New Residential Construction

After the decline in 2015, total housing starts in the Barrie Metropolitan Area (CMA) are expected to rebound in 2016. Builders are expected to start between 1,100 to 1,300 units and 1,000 to 1,400 units in 2016 and 2017 respectively. In the first quarter of 2016, they poured foundations for 341 homes, up from 83 units in the same quarter of 2015. The number of homes under construction is at its highest level, and the inventory of unsold homes has fallen to a level not seen since the 1990s, an indication that demand for housing in the Barrie CMA is strong. The flow of migrants from the Greater Toronto Area (GTA), rising employment, low mortgage rates and an aging population will support new construction through the end of 2017.

Apartment starts will be strong in both 2016 and 2017, given the growing demand for this type of housing by seniors looking for a type of housing that is affordable and provides all amenities. Many seniors are expected to return to Barrie during retirement. Seniors are looking for a lifestyle change and this involves moving from single-detached homes into homes that require lower maintenance. Condominium development is increasing in the Barrie CMA, as limited land availability is forcing higher-density development. Townhouse starts will also increase as part of the need to use land more intensively.

After a strong finish to 2015, single-detached housing starts will continue to grow to between 650 and 700 and between 650 and 850 respectively in 2016 and 2017, despite the scarcity of land remaining an issue. Currently, there is no land available for construction of single-detached homes in the City of Barrie. As a consequence, prices of existing single-detached homes are being driven up and the construction of new singles is being pushed outside the City of Barrie. Most single starts during 2016 and 2017 will occur in Innisfil. Single-detached homes will remain the major component of housing starts. In the first quarter of 2016, builders started 32 homes including 24 singles, a 71 per cent increase over the same period of 2015.

The median and the average prices for new single-detached homes in the Barrie CMA have jumped throughout 2015 because many newly-built homes are in the high-end category desired by move-up buyers. More than a half of new single-detached homes were purchased for more than $400,000 in the last year compared to less than 31 per cent in the previous year. The prices will continue to grow throughout the forecast period, impacted by the continuous shortage of land.

Note to readers

In an effort to align itself with the various needs of those seeking information about the housing market, CMHC's Market Analysis Centre has undertaken a complete review of its products and services. As a part of this review, the CMHC's *Housing Market Outlook* publication will be undergoing a series of modifications. The general objective is to provide a range of possible outcomes that, in a context of economic and financial uncertainty, will better help users in their decision-making process.

As a first step in this ongoing process, the present edition incorporates forecast ranges for housing variables as well as an expanded discussion on the risks to the forecast. A more detailed description of the forecast range methodology is provided at the end of the publication.

Existing Home Market: Strong Growth Followed by Stabilization Through 2017

The demand for resale homes in Barrie CMA is set to grow in 2016 after having reached a high level in 2015, with a sales increase of 9.4 per cent over the previous year. Sales will pick up again in 2016 to between 5,300 and 5,900 before declining slightly in 2017 to between 5,100 and 6,000.

In the first quarter of 2016, MLS® sales were up 13 per cent year-over-year. More buyers from the GTA continued to move north to look for more affordable homes. Most of these buyers moving into Barrie already have a job. Thus, modest local employment growth isn't a barrier to increasing housing demand because migration will continue to be a key driver of the resale market. Indeed, both baby boomers and young families will continue to relocate to Barrie. The price differential between the Barrie CMA and the GTA will continue to play a major factor in attracting these migrants to the CMA. The Barrie housing market is attractive to Torontonians, who accept a long commute in order to buy the home type they prefer. Although low gasoline prices benefit commuters, most potential buyers are not buying as a result of the drop in gasoline prices. Instead, they prefer

Barrie because of its proximity to the GTA and also the cottage area. The availability of the GO train is another motivating factor for potential buyers. In general, Barrie has positioned itself as an attractive option for these buyers.

Demographic trends will support demand for housing in Barrie. Potential buyers in Barrie tend to be first-time buyers aged 25 to 44 years and seniors 65 years and older. Both groups are growing, given the age structure of the population in Barrie and also an increasing number of migrants coming from the Greater Toronto Area in these age groups.

Another factor supporting increased sales is mortgage rates which are set to remain low throughout 2016, with a slight increase in the first half of 2017. Although low mortgage rates will support demand, affordability will erode during 2016 because prices will be rising faster than incomes. Sales are expected to decline in 2017 due to both eroding affordability and limited supply.

Growth in new listings has been lagging sales growth. As the shortage of listings intensifies, potential sellers have more difficulty finding something that meets their needs and consequently decide to remain in their current home. In particular, seniors who wish to downsize often find that available options are limited. As a result, the number of new listings is expected to decline in 2017 and limited supply will constrain sales.

The Barrie housing market will remain a seller's market, characterized by a shortage of supply. The sales-new-listings ratio (SNLR), an indicator of housing market conditions, was about 65 per cent in 2015 and will trend upward in 2016 and 2017. The average MLS® price will be between $384,000 to $415,000 and 395,000 to 443,000 respectively in 2016 and 2017. Price increases are a challenge for local first time homebuyers. Average weekly earnings will be only slightly higher in 2016 than the rate recorded in 2015, as upward pressure due to a lower unemployment rate and will be offset to some degree by a greater share of jobs being in low-paying industries. This increase won't be enough to cover the increased cost

Figure 2

Source: CREA; (F) = CMHC Forecast;
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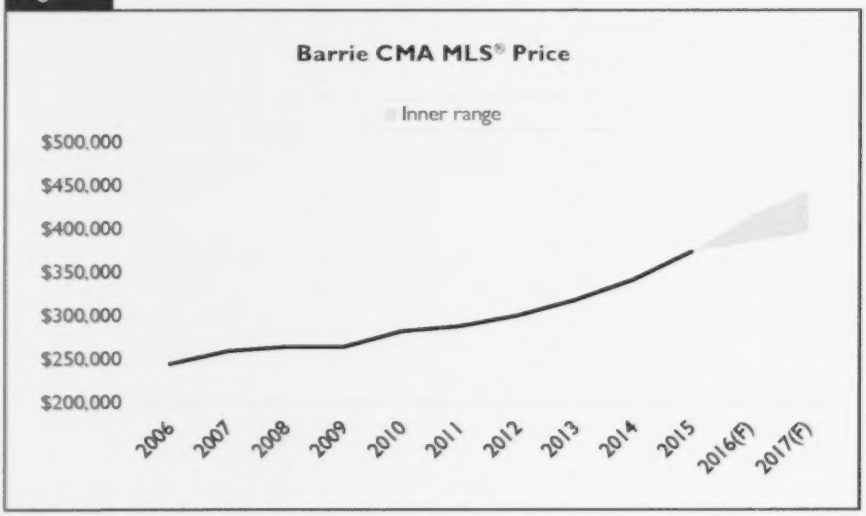
Figure 3



Source: CREA; (F) = CMHC Forecast;
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of housing. The elevated prices will result in carrying costs rising faster than incomes. The homeownership affordability challenge will become more pronounced.

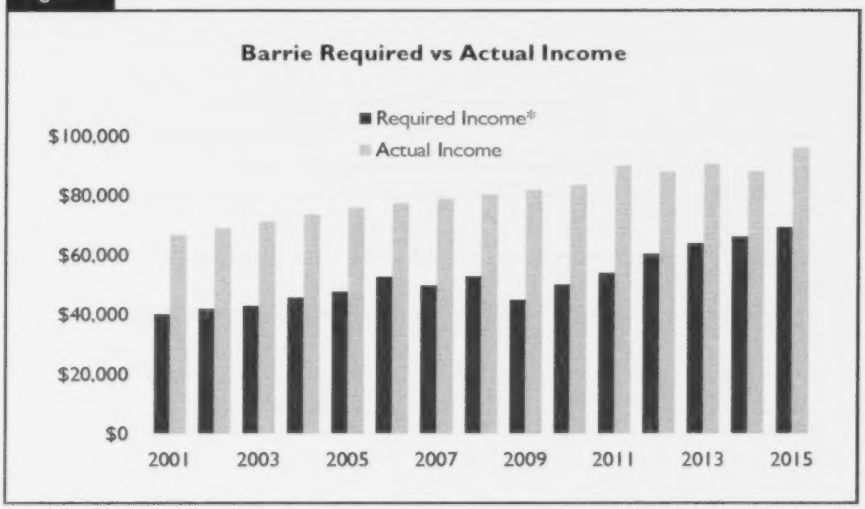
Rental Market: Vacancy Rates Will Rise Slightly

The average apartment vacancy rate in the Barrie CMA is forecast to rise to 1.8 per cent in October 2016 from 1.3 per cent in 2015, and will edge up again slightly to 2.1 per cent in 2017. The rental market in Barrie has continued to be one of the more expensive markets in the province.

The number of new rental apartments will increase due to the completion of purpose-built rental apartments initiated over the past two years, which will put upward pressure on the vacancy rate. Newly completed condominium apartments will also put upward pressure on the purpose-built rental vacancy rate indirectly. Condominiums are an affordable option for current renters to enter home-ownership and also some of these units will be added to the secondary rental market universe as investor-owned apartment condominiums which compete with purpose-built rental apartments.

While there has been an increase in the number of full-time jobs, most youth aged 15 to 24 are employed in part-time, relatively low-paying jobs which discourage this age group from moving out from their parental home. In addition, the move of Laurentian University out of Barrie will reduce rental demand since a number of students have been living off-campus.

Figure 4



Source: CMHC, Statistics Canada, CREA
*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

Figure 5

Source: CREA; (F) = CMHC Forecast

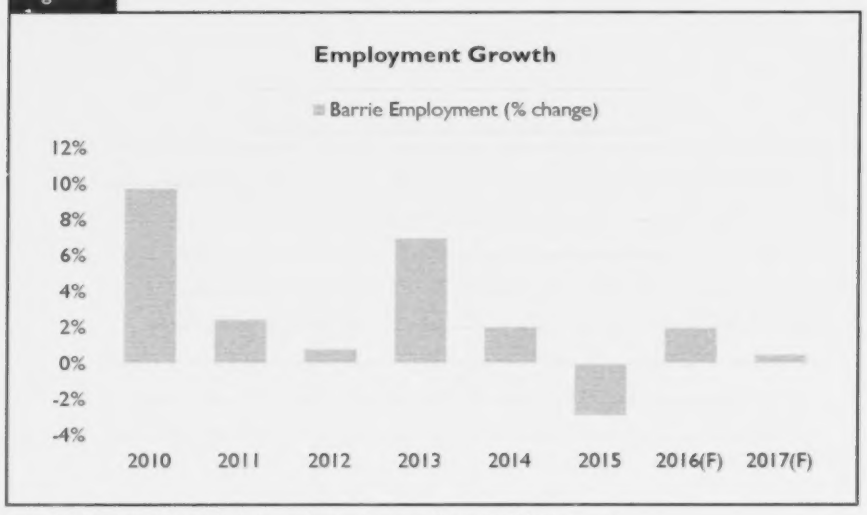
Economic Trends: Improvement in Consumer Confidence Ahead

After weakening last year, the job market in the Barrie CMA picked up in the first three months of 2016. Total employment is forecast to increase by 1.4 per cent in 2016 and to post more modest growth through 2017.

Employment started to improve in the last months after a steep drop in 2015. The majority of these positions were full-time, especially for workers up to 44 years old, while part-time employment continued to soften for all age groups. The job market was supported by employment gains in manufacturing, trade and finance, insurance and real estate while employment in construction has been continuously declining since the third quarter of 2015.

The improving economy south of the border will support consumer confidence about the local economy and encourage manufacturers to increase their production and businesses to increase investment. Gains will notably be seen in trade, services and manufacturing. But, the gains will be limited since many industries located in Barrie are technology-based, and tend to use less labour than more traditional industries. An increase in jobs with limited growth in the labour force will put downward pressure on the unemployment rate in the Barrie CMA.

Figure 6



Source: Statistics Canada, Labour Force Survey; (F) = CMHC Forecast

More Americans will cross the Canadian border to visit cottage country, encouraged by the drop in the value of the Canadian dollar. This will boost employment in accommodation and food services.

The slow growth in average weekly earnings in the recent months can be partly attributed to the creation of lower paid jobs, including the shift in healthcare from higher-paying to lower-paying jobs. The trend will continue and average weekly earnings are expected to increase in 2016 and 2017 at a relatively slow pace.

The population in Barrie is expected to grow at one per cent annually. Intra-provincial migration is the main source of the population growth in Barrie. Migrants from the greater Toronto Area are dominant in the Barrie population increase. The population increase will translate to around 900 new households in both 2016 and 2017.

Mortgage rates are expected to rise moderately from current levels in 2017

Mortgage rates are expected to stay near current levels until the end of 2016, supporting housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to gradually start rising from current levels in the first half of 2017. This expected profile for mortgage rates is in line with the Bank of Canada's view of the economy returning to its full capacity by the end of 2017, according to its April 2016 Monetary Policy Report.

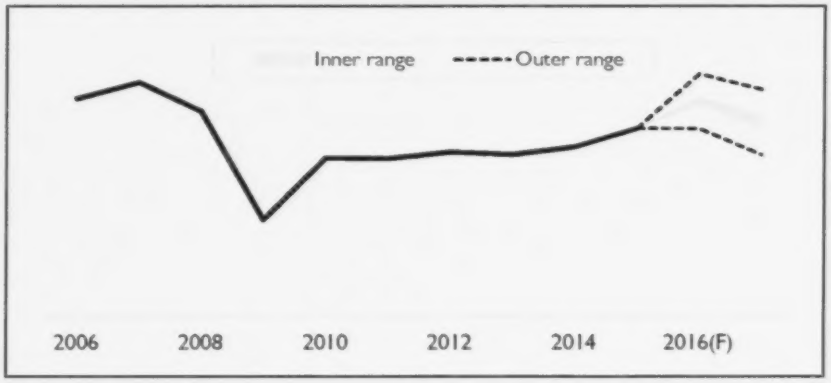
According to CMHC's base case scenario, the five-year mortgage rate is expected to be within the 4.4 to 5.0 per cent range in 2016 and within the 4.7 to 5.3 per cent range in 2017.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Trends at a glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to remain at historically low levels until mid-2017, which will continue to support housing demand.
Employment	A positive economic outlook for the United States and Ontario will support the local economic conditions in Barrie CMA through 2016 and 2017. Employment growth, specifically full-time job creation, will continue to support demand for all types of housing.
Income	Growth in average weekly earnings was strong throughout 2015 but will slow significantly in 2016 and 2017. However, positive real wage growth will support increased demand for homeownership.
Population	Net migration will remain positive because of the attractiveness and affordability of the Barrie housing market compared to adjacent areas.
Resale Market	Resale market conditions will continue to favour sellers, pushing MLS® prices to grow but at a slower pace in 2016 and 2017 compared to 2015 because of the competition from the new homes market.
Rental Market	The rental demand will remain tight, but an increase in supply due to completions of new rental apartments and rented condominium apartments in the secondary market will lead to an increase in the vacancy rate.
Other	Proximity to Great Toronto Area (GTA) and the housing price differential between the GTA and the Barrie CMA will continue to stimulate demand for all types of housing in the Barrie CMA.

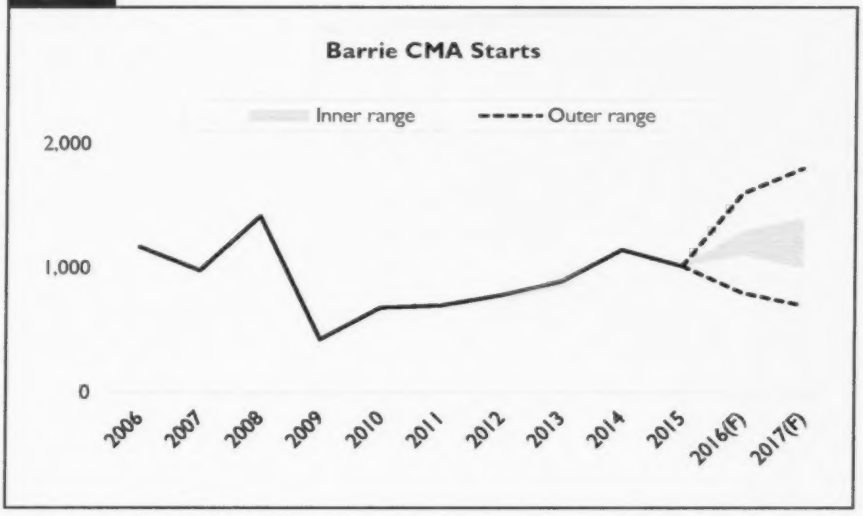
Forecast risks

A heightened level of market uncertainty poses some risks to the Barrie CMA housing outlook resulting in a wider range of possible outcomes that may deviate from our forecasts.

An acceleration of the approval of developments projects on the annexed land will have an upward impact on overall housing starts, pulling them towards the upper end of the outer range.

Stronger than expected increase in US GDP growth or stronger momentum in Ontario could have a positive impact on manufacturing production and job creation. This would push starts up closer to the

Figure 7



Source: CMHC; (F) = CMHC Forecast

upper end of the outer range. It would also mean that both MLS® sales and price would be closer to the upper end of the outer range.

A disorderly unwinding of household sector imbalances, should it materialize, could have sizable negative effects on the economy.

While a soft landing in the housing market remains the most likely scenario, near record-high house prices and debt levels relative to income leave households vulnerable to a potential correction. Any correction to the GTA housing market will spill over to the housing market in Barrie since demand from migrants from the GTA will slow down and cause both sales and prices to fall nearer the lower bound of the outer range for both the price and sales forecasts.

Figure 8

Source: CREA; (F) = CMHC Forecast;
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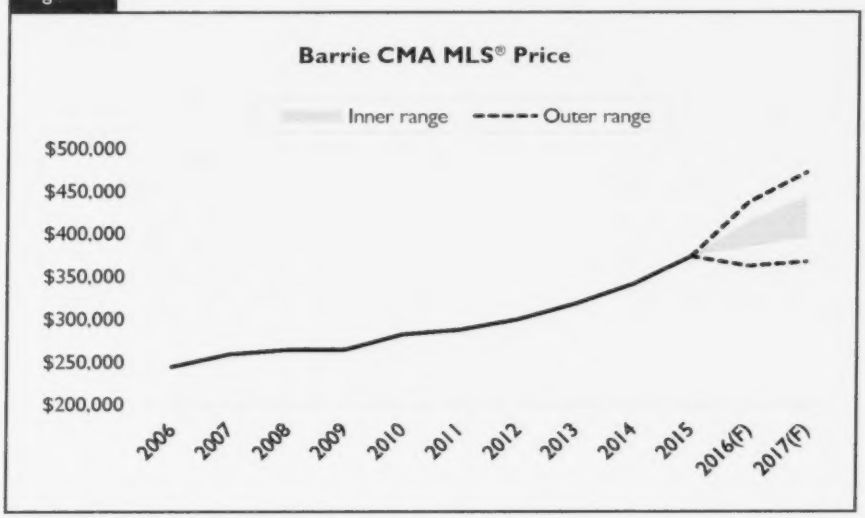
Figure 9



Source: CREA; (F) = CMHC Forecast;
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Forecast Summary
Barrie CMA
Spring 2016

	2013	2014	2015	2016(F)		2017(F)	
				(L)	(H)	(L)	(H)
New Home Market							
Starts:							
Single-Detached	602	550	695	650	700	650	850
Multiples	289	598	321	450	600	350	550
Starts - Total	891	1,148	1,016	1,100	1,300	1,000	1,400
Resale Market							
MLS® Sales	4,648	4,795	5,244	5,300	5,900	5,100	6,000
MLS® Average Price($)	317,883	341,023	373,203	384,000	415,000	395,000	443,000
Economic Overview							
Mortgage Rate(5 year)(%)	5.24	4.88	4.67	4.40	5.00	4.70	5.30

	2013	2014	2015	2016(F)	2017(F)
Rental Market					
October Vacancy Rate (%)	3.0	1.6	1.3	1.8	2.1
Two-bedroom Average Rent (October)($)	1,048	1,118	1,167	1,190	1,200
Economic Overview					
Population	197,986	200,345	202,704	205,100	207,500
Annual Employment Level	109,400	111,600	108,400	110,000	110,900

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 29th April 2016. (L)=Low end of Range. (H)=High end of range.

The low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is due to rounding and volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2016-2017).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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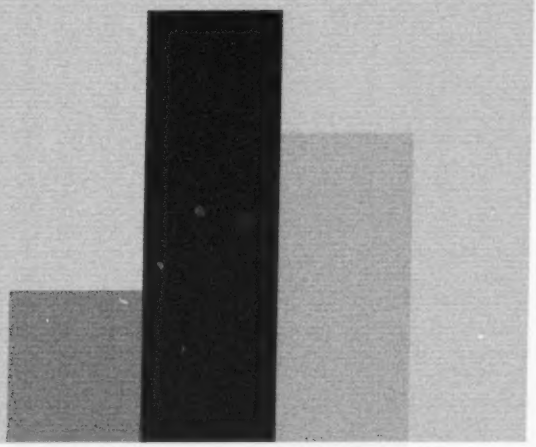

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